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FM AMEMBASSY MEXICO  
TO RUEHC/SECSTATE WASHDC 2166  
INFO RUEAFCC/FCC WASHDC  
RUCPDOC/DEPT OF COMMERCE WASHDC  
RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS SECTION 01 OF 02 MEXICO 003913

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR WHA/MEX AND EB/CIP  
STATE PLEASE PASS TO USTR JONATHAN MCHALE AND FCC EMILY  
TALAGA

E.O. 12958: N/A

TAGS: [ECPS](#) [ECON](#) [MX](#) [ETRD](#) [EINV](#)

SUBJECT: AT&T OFFICIALS WITH CALLING PARTY PAYS WOES

REF: A. MEXICO 02511

[1B.](#) MEXICO 02844  
[1C.](#) MEXICO 0537

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Summary  
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[11.](#) (U) AT&T officials met with Econoff June 29 regarding Mexico's transition to a Calling Party Pays (CPP) system for national and international long distance calls where the destination is a user of the mobile local service. Controversy surrounding the recent passage and implementation of the new Radio and TV law as well as the appointment of new Federal Telecommunications commissioners has delayed publication of rules on how to implement the CPP Resolution published on April 13, 2006. The delay will make it more difficult for U.S. carriers to physically comply with the rule's implementation date of October 11, 2006. End Summary.

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AT&T ON IMPACT ON U.S. CARRIERS AND CONSUMERS  
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[12.](#) (U) Rick Resnick, President of AT&T Mexico, Rich McCormick, Regional Vice President for AT&T, and Karina Duyich Acuna from AT&T Regulatory Affairs met with Econoff June 29 regarding the October 11 implementation of a long-distance Calling Party Pays system for national and international long distance calls to mobile cell phones. Although most companies, including AT&T believed the GOM would eventually implement a CPP system, the overall cost of doing business in Mexico under CPP system remains unclear. Some telecom analysts estimate it could cost U.S. industry and its consumers 200 to 400 million dollars annually.

[13.](#) (U) The Calling Party Pays resolution for long distance was published in the Mexican Federal Register on April 13, 2006 but it did not include specific guidelines for industry to follow regarding the technical installation of code identifiers, rate determinants, and other implementation issues. Additionally, U.S. carriers need sufficient time to tell their customers that Mexican phone numbers will change and that mobile calls will be subject to different rates than fixed line calls. Resnick said that it will be very important for U.S. companies to educate customers on the increase in rates imposed by Mexico. Resnick estimates that the termination rate will most likely be 14 to 18 cents. However, the Federal Telecommunications Commission (COFETEL) has failed to share their rate model with industry or other governments and they have been unable to resolve rate

disputes between companies utilizing local CPP.

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GOM PICTURE STILL UNCLEAR  
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¶4. (SBU) Since the newly appointed COFETEL commissioners have little time to hash out rules for CPP, Resnick is concerned that the guidelines will be drafted, reviewed, and issued too quickly and that some items or steps may be accidentally left out, making it more difficult for the settlements process to take place correctly. Normally, a company needs 30 days to test a new system and process. He also finds it unsettling that the three fixed carriers, Avantel, Alestra, and Axtel, which recently filed a lawsuit asserting that the national CPP system represents higher costs for consumers in benefit of mobile phone companies and against fixed telephone companies, may be excluded from participating in CPP while his company and others will have to comply. He noted that if this happens, AT&T will most likely file suit but at this time they are taking a "wait and see" approach. When asked how Telmex is proceeding (AT&T has a 10 percent share in Telmex and Resnick's office is located in the Telmex office building), Resnick admitted that Telmex should become more active on the issue.

¶5. (U) Resnick insisted that the GOM needs to ensure that rates are cost-constructed and that COFETEL creates a clearly defined and transparent plan for industry. If they lack this, then he believes more consumers will move towards using Voice over Internet Protocol (VoIP) to communicate.

¶6. (U) AT&T plans to meet with the new COFETEL President and its new set of commissioners later this month or in August. Resnick said they are concerned that some of the new

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commissioners are not well-informed of the COFETEL agenda. McCormick added that by adding two Senators to the COFETEL mix, special interests may fare well and that dispute outcomes and policy changes could be difficult to predict. Both stated that AT&T is open to teaming up with U.S. Embassy to meet with COFETEL on the CPP issue and will continue to keep Econoff abreast of its meetings with COFETEL.

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COMMENT  
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¶7. (SBU) Prior to the resolution's publication, Embassy, FCC, State, and Commerce Department Representatives requested a copy of the model COFETEL will use to determine termination rates. So far this request has not been answered. The good news is that the new COFETEL board met the week of July 3 and briefly discussed CPP. However, the commissioners have not yet set a clear agenda meaning that it could get hijacked by post-election special interest cases such as the much debated topic of Telmex's adoption of video services. Also, despite a previous COFETEL ruling that Telcel must interconnect its line with Nextel's Short Messaging Service, it is likely that Telcel will appeal the ruling with the new COFETEL board. These types of cases will only side-track the COFETEL board from drafting a well thought-out national plan to prepare for "new generation" technologies and convergence.